

Message Text

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11

ACTION EA-09

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AGR-05 EB-07 COME-00 TRSE-00 OMB-01 STR-04

GSA-01 /084 W

----- 047140

R 200015Z SEP 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 0374

INFO AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY COLOMBO

AMCONSUL MEDAN

AMCONSUL SURABAYA

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EO 11652: NA

TAGS: EIND EPAP ETRD ID

SUBJECT: GOI INTEREST IN U.S. PARTICIPATION IN RUBBER
PRICE STABILIZATION ARRANGEMENTS

REFS: A) JAKARTA 10315

B) KUALA LUMPUR 2780

C) KUALA LUMPUR 0285

D) STATE 028052

1. SUMMARY: MINISTER OF TRADE RADIUS PRAWIRO TOLD ME
SEPTEMBER 17 GOI WOULD WELCOME U.S. PARTICIPATION IN
RUBBER BUFFER STOCK ARRANGEMENTS TO BE ADOPTED BY
ASSOCIATION OF NATURAL RUBBER PRODUCING COUNTRIES (ANRPC).
HE ASKED IF U.S. WOULD BE INTERESTED, IN VIEW OF U.S.
POLICY SUPPORTING PRODUCER-CONSUMER CONSULTATIONS ON
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COMMODITIES ANNOUNCED IN SECRETARY KISSINGER'S SEPTEMBER 1

SPEECH AT UNGA SEVENTH SPECIAL SESSION. REQUEST DEPARTMENT'S VIEWS. END SUMMARY

2. DURING WIDE-RANGING CONVERSATION IN WHICH I REVIEWED SECRETARY'S SEPTEMBER 1 SPEECH, RADIUS, WHO HAD READ IT CAREFULLY AND WAS FAVORABLY IMPRESSED, EXPRESSED SPECIAL INTEREST IN U.S. PROPOSALS FOR COMMODITY PRICE STABILIZATION, INCLUDING BUFFER STOCKS. HE SAID INDONESIA SUPPORTS BUFFER STOCKS, IN WHICH PRODUCERS AND CONSUMERS PARTICIPATE, AS BEST MEANS OF AVOIDING DISRUPTIVE PRICE SWINGS AND MAINTAINING PRICE WITHIN FAIR, BUT ECONOMICALLY REALISTIC, LEVELS. FOR EXAMPLE, HE SAID INTERNATIONAL TIN AGREEMENT IS A "MODEL" TO BE EMULATED FOR PRODUCER-CONSUMER COOPERATION IN OTHER COMMODITIES. HE SAID PRODUCER CARTELS - EXCEPT OPEC WHICH IS SPECIAL CASE - ARE UNSOUND AND GOI OPPOSES THEM. (COMMENT: MINISTER OF RESEARCH SOEMITRO, WHO AUTHORED PROPOSALS FOR GOI NEIO STUDY, TOLD ME AUGUST 22 THAT INDONESIA DOES, IN GENERAL, FAVOR PRODUCER CARTELS. (REF. A, 2,D) I SUSPECT CONTRADICTION EXPLAINED BY SOEMITRO'S BASICALLY POLITICAL APPROACH.)

3. RADIUS THEN EXPRESSED KEEN INTEREST IN U.S. VIEWS ON RUBBER PRICE STABILIZATION MEASURES, NOTING THAT STATEMENTS ON COMMODITY STABILIZATION IN SECRETARY'S SPEECH DID NOT MENTION RUBBER. HE SAID SHARP RUBBER PRICE FLUCTUATIONS ARE DAMAGING TO INCOME AND EMPLOYMENT IN INDONESIA, AND TO MALAYSIA, ESPECIALLY, BECAUSE OF DANGER OF POLITICAL UNREST AMONG MALAYSIAN SMALL-HOLDERS. FOR THIS REASON, INDONESIA AND MALAYSIA SUPPORT BUFFER STOCK PRICE STABILIZATION SCHEME TO BE ADOPTED BY ASSOCIATION OF NATURAL RUBBER PRODUCING COUNTRIES. (THAILAND, SINGAPORE, AND SRI LANKA ARE ALSO MEMBERS OF ANRPC. SEE REFS, B, AND C.) RADIUS SAID GOI WOULD WELCOME U.S. AND OTHER CONSUMER PARTICIPATION IN ANRPC SCHEME. HE THOUGHT U.S. SHOULD BE INTERESTED IN PARTICIPATING, SINCE ASEAN MEMBERS OF ANRPC PRODUCE 80 PERCENT IF WORLD'S NATURAL RUBBER AND SUPPLY LARGE PORTION OF U.S. NEEDS.

4. RADIUS OBSERVED THAT CONSUMER PARTICIPATION IN ANRPC LIMITED OFFICIAL USE

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IS NECESSARY BECAUSE LONG-RANGE CONSUMER DEMAND FOR RUBBER MUST BE WEIGHED IN ADOPTING REALISTIC BUFFER STOCK PRICE FLOOR SO THAT NATURAL RUBBER REMAINS COMPETITIVE; ANRPC PLAN WOULD BE SMALL, SINCE LARGE STOCKPILE WOULD BE TOO COSTLY AND MIGHT DRIVE PRICE TOO HIGH, THEREBY ENCOURAGING SHIFT TO SYNTHETICS.

5. COMMENT AND ACTION REQUESTED. THIS IS FIRST EX-

PRESSION OF GOI INTEREST IN COPPERATING WITH U.S. IN RUBBER PRICE STABILIZATION MEASURES THAT WE KNOW OF. WE NOTE FROM KUALA LUMPUR'S REF. B (JANUARY 17, 1975) THAT MALAYSIA AT THAT TIME FAVORED U.S. PARTICIPATION IN ANRPC PLAN AND SUGGESTED RUBBER PRICE STABILIZATION AS AGENDA ITEM FOR PROPOSED U.S.-ASEAN CONSULTATIONS. WE ALSO NOTE DEPARTMENT'S SUGGESTION IN REF. D (FEBRUARY 7, 1975) THAT INTERNATIONAL RUBBER STUDY GROUP (IRSG) MEETING TO BE HELD IN JAKARTA IN OCTOBER 1975 MIGHT BE MOST APPROPRIATE FORUM FOR DISCUSSING STABILIZATION.

6. WOULD APPRECIATE DEPARTMENT'S VIEWS ON USG POLICY IN GENERAL TOWARD PARTICIPATION IN ANRPC OR OTHER RUBBER STABILIZATION ARRANGEMENTS, IN VIEW OF NEW U.S. POLICY EMPHASIS ON COMMODITY MEASURES ANNOUNCED IN SECRETARY'S SPEECH. WILL RUBBER PRICE STABILIZATION ARRANGEMENTS BE DISCUSSED AT IRSG MEETING IN JAKARTA NEXT MONTH? IF SO, WILL USG VIEWS BE PRESENTED? PERHAPS THIS WOULD NOT PRECLUDE RUBBER PRICE STABILIZATION AS AGENDA ITEM FOR U.S.-ASEAN CONSULTATIONS, IF THESE MATERIALIZE.
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